CANADA NORTHWEST LAND LIMITED

80th ANNUAL REPORT

1972

DIRECTORS:

H. G. Gammell
Calgary, Alberta

N. E. Goodman
Montreal, Quebec

D. W. Hilland
Calgary, Alberta

J. S. Lawson
Calgary, Alberta

J. Poscente
Calgary, Alberta

M. S. Reford
Aylmer East, Quebec

Rt. Hon. Lord Shaughnessy
Montreal, Quebec

M. M. Sinclair
Toronto, Ontario

OFFICERS:

H. G. Gammell, President
J. Poscente, Vice-President
Rt. Hon. Lord Shaughnessy,
Vice-President & Secretary
D. W. Hilland, Assistant Secretary
M. J. Khan, Comptroller

BANKERS:

Royal Bank of Canada;
Canadian Imperial Bank of Commerce

TRANSFER AGENTS:

Canada Permanent Trust Company,
Calgary, Toronto & Vancouver

AUDITORS:

Clarkson, Gordon & Co.

LISTINGS:

Toronto and Vancouver Stock Exchanges

HEAD OFFICE:

920 Three Calgary Place,
355 - 4th Avenue, S.W.,
Calgary, Alberta, T2P 0J1

President H. G. Gammell and Vice-President J. Poscente.

Geologists N. E. Brown, R. J. Kirker and Engineer D. L. Russell.

The Annual Meeting of the Company will be held in the Lake Louise Room of the Calgary Inn, Calgary, Alberta, at 2:00 P.M., May 7th, 1973.

Eightieth Annual Report, 1972

CANADA NORTHWEST LAND LIMITED

HIGHLIGHTS:

OPERATIONS	1972	1971
NET OIL PRODUCTION (in barrels)	197,098	149,173
NET GAS PRODUCTION (in Mcf.)	284,806	108,020
LAND HOLDINGS (excluding carried interests) (in acres)		
Freehold Titles	277,285	261,153
P & NG Leases, Permits and Gas Licences	1,109,026	1,158,118
Mineral Claims and Permits	11,220	27,220
RESERVES		
Oil (in barrels)	2,815,600	2,391,400
Gas (in MMcf.)	144,120	105,078
FINANCIAL		
Gross Revenue	$ 577,348	$ 457,152
Cash Flow	193,706	202,454
Per Share	5¢	12¢
Shares Outstanding	3,961,022	1,736,830

TO OUR SHAREHOLDERS

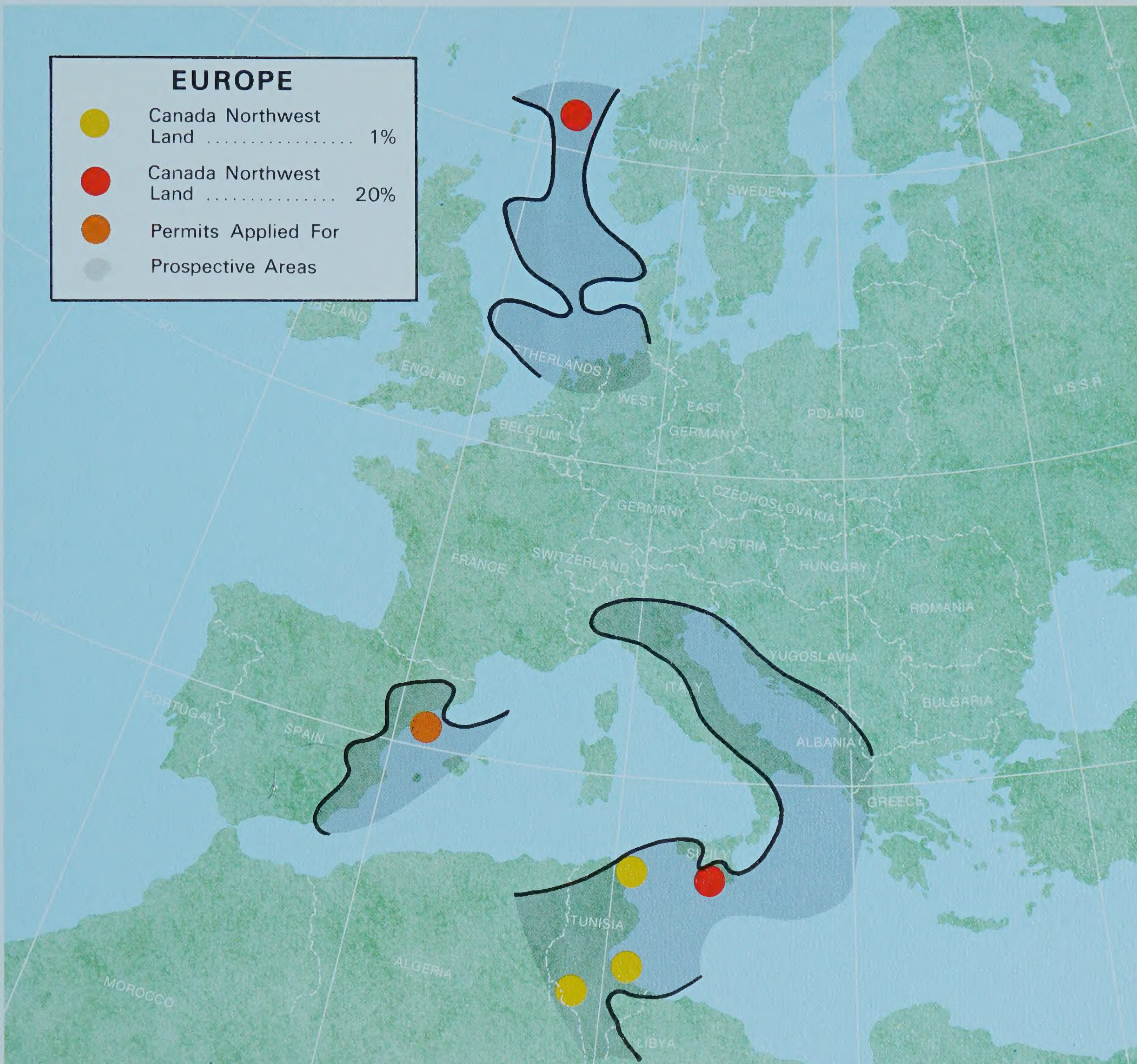
The year 1972 has seen the most substantial asset growth in our Company's eighty-year history. During the year our Company acquired a substantial additional interest in the Canadian Arctic, committed shut-in gas reserves to the most imaginative approach to the marketing of gas at competitive prices yet devised in Canada, established positions in the North Sea and the Mediterranean and continued to accumulate land for drilling in Alberta.

Before detailing these activities it is felt that shareholders should be made aware of developments outside management's control which could influence our Company's future in North America.

At this moment in time domestic and export demands for Canadian production are, in total, larger than the industry can supply while at the same time the prices of both gas and oil are rising in response to world-wide movements and U.S. shortages. Given these conditions, the profitability of the industry should be good enough to enable it to finance the even greater future exploration and development programs needed to supply growing North American energy demands. Management is confident that in the long term the industry will gain the benefit of these conditions and that the job will be done in both the national and investors best interest.

However, there are signs that Canadian Governments at both the Federal and Provincial level may be moving in directions which — while not seriously detrimental to the industry now — could if continued, lead to problems. The Federal Government has given indications that it may impose stricter controls on exports of gas and oil in order to ensure security of future domestic needs, while Provincial Governments are placing heavier tax burdens on production. There is no question that domestic needs must be met first and that the owners of the reserves — public and private — are entitled to a fair share of the sale value. However, if these trends go too far and if profitability is seriously reduced, the industry is in trouble. It will be unable to replace the risk capital needed for exploration and as a result exploration momentum will slow down. Once slowed it takes a long time to start up again, as the U.S. is finding to its dismay. The eventual outcome is that Canada might find itself short of petroleum and in the same desperate energy pinch as the United States. The paradox is that there are sufficient reserves in Canada to easily supply both domestic and part of U.S. deficit for many years if explorers can be encouraged to develop them and if transportation facilities are enlarged. It is to be hoped that our Governments can learn by the unfortunate experiences of others and the industry will continue to be given the freedom to do the job which it can do.

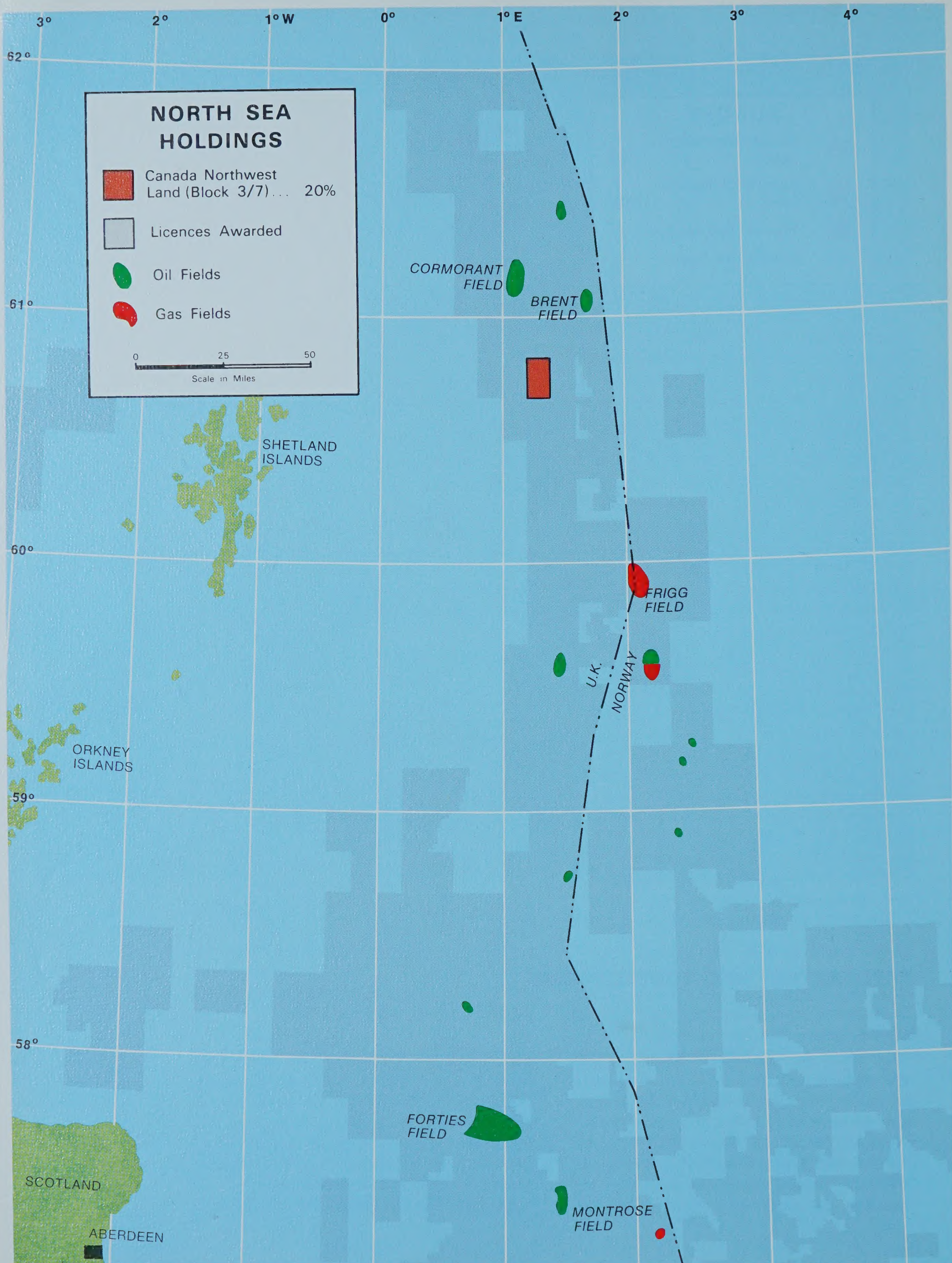
Our Company's management feels that the main thrust of its efforts to develop short-term cash flows should be in North America. However, some of its efforts in developing medium term cash flows should be diversified into other prospective areas, such as Europe. The Arctic involvement is longer term and offers exposure to the possibility of very prolific reserves which, if found, could assure all of Canada's needs for a great many years and leave a large surplus for export.



EXPLORATION AND DEVELOPMENT

NORTH SEA

In 1971 our company formed (and operates) a consortium to conduct and purchase geological and geophysical surveys and apply for production licences in the fourth round of licence applications in the U.K. sector of the North Sea. In March 1972 the United Kingdom Government awarded our company's group a licence over Block 3/7 in the northern part of the North Sea. The block lies 70 miles east of the Shetland Islands in an area where very substantial oil and gas discoveries have been made. The Brent and Cormorant oil discoveries by the Shell-Esso group lie 20 miles northeast and northwest respectively, while the Frigg gas


NORTH SEA HOLDINGS
Canada Northwest Land (Block 3/7) . . . 20%
Licences Awarded
Oil Fields
Gas Fields
0 25 50
Scale in Miles
3°
2°
1° W
0°
1° E
2°
3°
4°
62°
61°
60°
59°
58°
CORMORANT FIELD
BRENT FIELD
SHETLAND ISLANDS
FRIGG FIELD
U.K.
NORWAY
ORKNEY ISLANDS
FORTIES FIELD
MONTROSE FIELD
SCOTLAND
ABERDEEN

field in Norwegian waters lies 55 miles southeast. Detailed geophysical surveys conducted in the summer of 1971 revealed that the block covers portions of two structures. The Burmah Oil Company Limited have announced that they will be drilling on Block 3/3 (adjoining Block 3/7 on the northeast) during 1973. In addition industry scouting services report that at least six other holes will be drilled within 20 miles of Block 3/7 during the coming year. CNWL has a 20% interest in this block.

A second consortium composed mainly of U.K. investors has been formed by our company to apply for licences and permits in European offshore areas.

TUNISIA

The farmees of the 3.5 million acres of concessions, in which the company holds a 1% interest carried to the expenditure of $5 million, have conducted geophysical surveys during 1972 and plan to drill at least two offshore locations in 1973.

SPAIN

In 1971 our company together with Denison Mines Limited applied for seven permits off the east coast of Spain 35 miles east of Shell's Amposta discovery and in 1973 applied for a further six permits north of Amposta. The Spanish Government has not granted any of these permits as yet.

SICILY

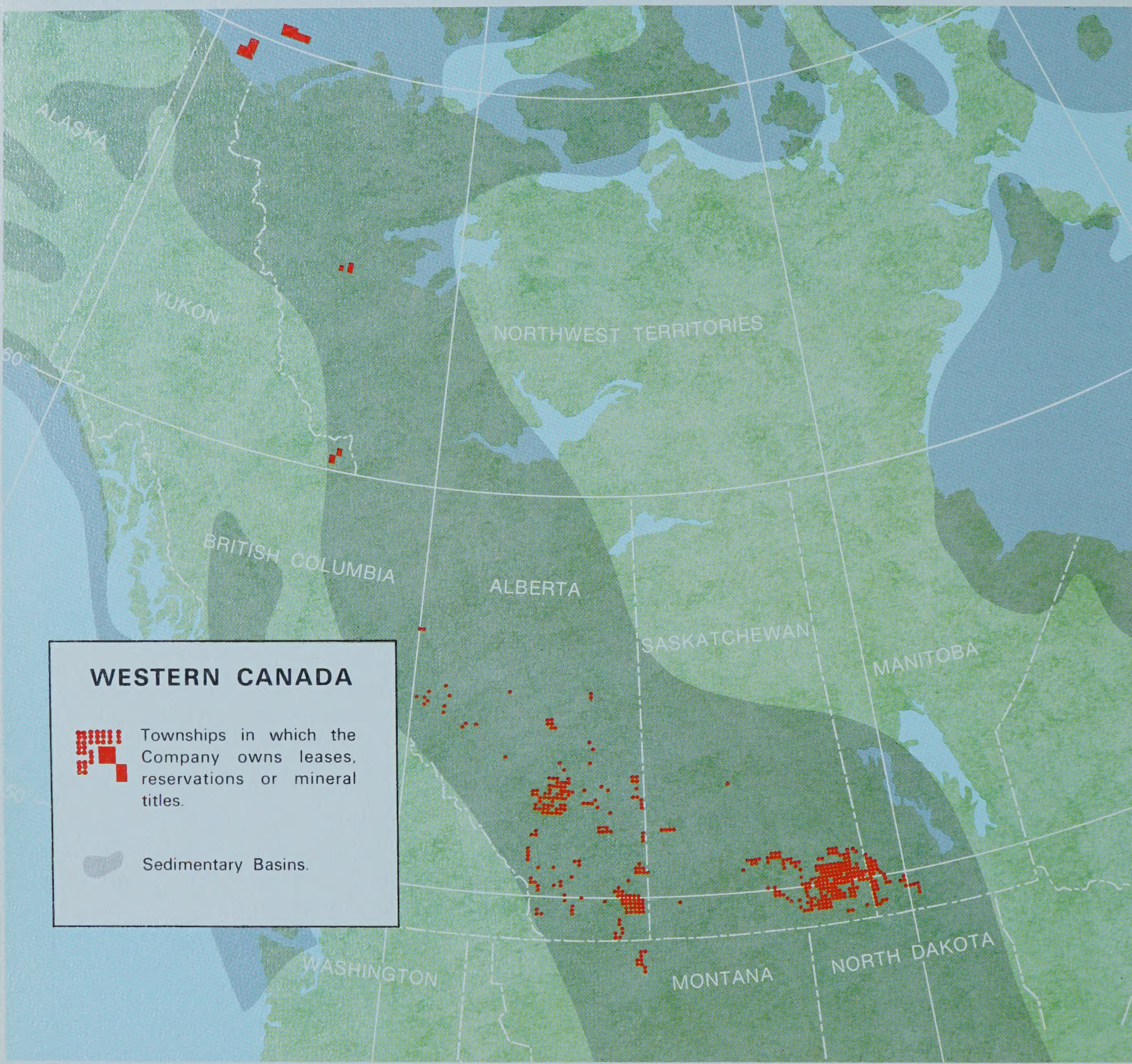
A consortium formed and managed by our company made applications for permits off the south coast of Sicily in 1972. The Italian Government has granted the group a permit of approximately 77,560 acres.

CANADA

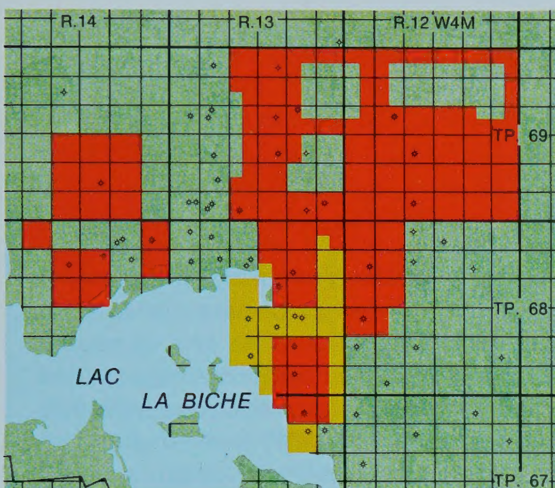
In terms of short term cash flow expectations probably the most significant event of 1972 was concrete indications of higher gas prices. During the year, Alberta's Government held hearings on gas prices at the close of which it was concluded that prices (which in 1972 averaged 16¢ an Mcf) were 10¢ to 20¢ too low in terms of competing commodities. Since that time the Alberta Government has encouraged buyers to negotiate higher prices, has encouraged new buyers to come into the market but most significantly has suggested that unless prices are higher, future applications for exports from the Province may be turned down.

In response to this, Pan-Alberta Gas Ltd., a subsidiary of Alberta Gas Trunk Line Co. Ltd., offered to purchase gas from producers on a five-year contract starting late in 1974 at 38¢ an Mcf. escalating 1¢ an Mcf. a year. This gas would be exported to build up markets for Arctic gas when it became available later in the decade, but in the meantime, would give producers substantially higher cash flows which could be used to explore for more gas reserves. Another innovation in the Pan-Alberta contract is a willingness to take gas as quickly as it could be produced rather than spreading out the purchases over 20 years or more, as is customary in existing contracts. The combination of a doubling of gas prices and higher outputs have had the effect in some cases of tripling the value to producers of uncommitted and available reserves.

The Pan-Alberta contract is conditional on their receiving all export approvals from Provincial and Federal Governments by September, 1973. It is hoped that the Alberta Government will agree that the prices offered are high enough and that the Federal Government can be satisfied



WESTERN CANADA
Townships in which the Company owns leases, reservations or mineral titles.
Sedimentary Basins.
ALASKA
YUKON
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
WASHINGTON
MONTANA
NORTH DAKOTA



TWEEDIE
ALBERTA

Canada Northwest Land 50%
Canada Northwest Land 25%
∘ Location ✧ Abandoned
☼ Gas Well

0 6
Scale in Miles

HILDA-MEDICINE HAT
ALBERTA

Canada Northwest Land 100%
Canada Northwest Land 43%
∘ Location ✧ Abandoned
☼ Gas Well
— Alberta Gas Trunk Line

0 6
Scale in Miles

that future Canadian needs will be assured by the availability of Arctic gas and that these export permits will be granted.

With regard to secure supplies for Canadian needs, Pan-Alberta's parent company, Alberta Gas Trunk Line Co. Ltd., has been involved for some time in study groups designing facilities to bring both Alaska and Mackenzie River Delta gas to markets. It is reported that plans are well advanced and that gas from these sources could be available for Canadian needs by the end of this decade.

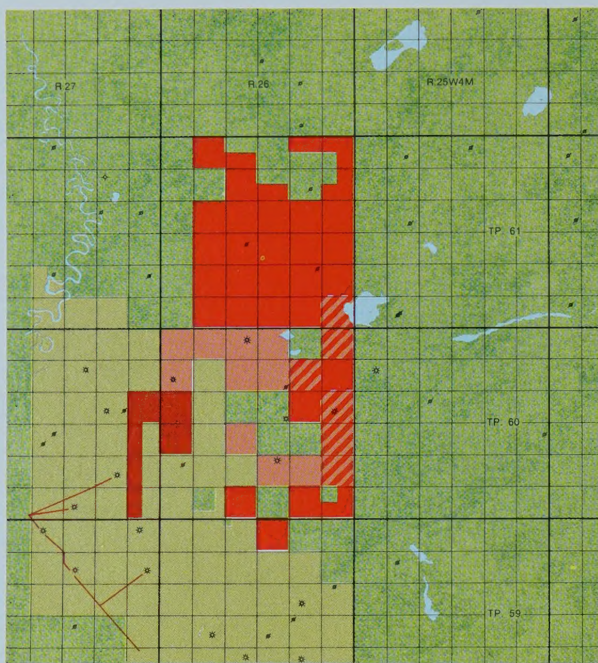
Management felt that our company's best interests would be served by signing up its shut-in gas reserves (totalling 122.4 Bcf.) with Pan-Alberta.

During 1972 six more development gas wells were drilled at Westlock and Tweedie.

Two gas wells were drilled in the Lait-Comrey area of southern Alberta during the year and gas sales to Canadian-Montana Gas Company Limited started late in the year. Further drilling will take place in this area during 1973. Two oil wells were drilled at Lucky Hills in west central Saskatchewan and additional drilling will probably be conducted there during 1973.

MONTANA

During the year our company and our partners completed geophysical surveys in northern Montana east of the Sweetgrass Hills and acquired 58,000 acres of land. A total of 14 holes were drilled — at no cost to the company — all of which were dry.



WESTLOCK
ALBERTA

- Canada Northwest Land 66⅔%
- Canada Northwest Land 50%
- Canada Northwest Land 33⅓%
- Westlock Gas Unit
- Gas Well Abandoned
- Gas Gathering System

0 — 6
Scale in Miles

RESERVES

Consulting engineers have estimated reserves of oil and gas for our company and Red Deer Minerals Ltd. at the end of 1972 to be as follows:

	1972	1971
Oil (barrels)		
Proven . . .	2,190,100	2,341,100
Probable . .	617,900	50,300
Total . . .	2,808,000	2,391,400
Gas (MMcf.)		
Proven . . .	129,154	43,457
Probable . .	11,877	61,621
Total . . .	141,031	105,078

ACQUISITIONS

THOR EXPLORATION LTD.

In November, 1972 our company acquired all of the shares of Thor Exploration Company Ltd. for 1,800,000 treasury shares and a $3,500,000 non-interest bearing demand note. The acquisition gave our company much broader exposure to developments in Canada's Arctic since Thor's main asset is a 4.5% interest in Panarctic Oils Ltd. A recent brochure prepared by the management of Panarctic Oils Ltd. is enclosed with this annual report and describes the activities of that company in some detail.

Thor was a private company owned by Thor Dahls Hvalfangerselskap A/S, a Norwegian-based shipping company, who now becomes a major shareholder of our company.

Panarctic, backed by a group of 19 companies owning 55% of its shares and the Canadian Government owning 45%, is the major explorer in the highly prospective Canadian Arctic Islands. Panarctic has marked up a remarkable record of success during the first six years of its existence. Out of 49 holes drilled to date or drilling on its land holdings, four major gas pools have been discovered and two very encouraging oil shows have been encountered. Our company has committed to maintain its interest in Panarctic by contributing its share of a 1973-74 exploration program estimated to cost us on the order of $1.2 million. This program is expected to be the most active exploration program of Panarctic's brief history with 18 holes to be drilled on its own account and 5 by farmees. Other companies are also planning an active year in the Arctic Islands with plans for drilling ten holes on their own lands. In total 13 drilling rigs are active in this part of the Arctic. Panarctic is a partner in the Polar Gas Project which also includes Trans-Canada Pipe Line Ltd., Canadian Pacific Investments Ltd. and Tenneco Oil & Minerals Ltd. which

has been set up to investigate the means of bringing of Arctic Islands gas to markets in central North America.

Panarctic is well managed and has adequate financing ability and backing to bring a very large but difficult and long-range project to successful fruition.

RED DEER MINERALS LTD.

In December our company offered to exchange one of its shares for each four shares of Red Deer Minerals Ltd. not already owned. This offer was completed February 19th, 1973 and resulted in the issue of 195,405 treasury shares. The acquisition added gas and oil reserves and varying interests in close to 60,000 acres of mineral titles in central Alberta. Red Deer also owned 118,500 shares of our company's common stock and a share interest in Rio Alto Exploration Ltd., an expanding mineral exploration company.

FINANCIAL

In 1972 gross revenues grew by 26% to $577,000 reflecting production acquisitions made in 1971, new production at Tweedie, Lucky Hills and other areas, as well as higher crude prices. The average price received by our Company for crude in 1972 was $2.64 a barrel which will be increased by approximately 30¢ a barrel due to recent general price increases. Cash costs rose by 50% to $384,000 reflecting higher charges in all sectors of expenditure and resulted in a reduction in cash flow to $194,000, 4% lower than in 1971. A start was made in enlarging staff in preparation for a much higher level of operations anticipated over the next few years as shut-in gas reserves go on stream and as exploration activities in North America and Europe increase. Bank borrowing to finance production acquisitions made in 1971 resulted in higher interest charges, although by the end of the year the company's long-term debt, exclusive of the note issued to acquire Thor Exploration Company Ltd. declined by $446,000. Higher depreciation, depletion (due to higher levels of production) and financing charges resulted in a net loss of $30,000 being recorded for the year. The private placement of treasury shares in June 1972, as well as cash realized on the sale of some of our company's Arctic interests resulted in an improved working capital position at the end of the year. Bank lines of credit have been established to cover 1973 cash needs. Excluding the acquisition of Thor Exploration Company Ltd. expenditures on land, exploration and development ran at about the same level as in 1971.

OTHER

Since the last annual report Messrs. L. A. M. Reford and J. S. Lawson resigned from the Board. Their contributions in the past and their presence and counsel in the future will be missed. At the Annual Meeting in April, shareholders' approval will be asked for increasing the Board to ten. Messrs. S. L. Christensen, E. A. Jonas and R. S. Ruggles as well as present Board members will be nominated for election by shareholders.

Our Company's employees have worked long, hard and enthusiastically at the Company's affairs in 1972 and their collective and individual efforts are to a large degree responsible for the progress being made by our Company. The Board's appreciation is extended to them for their performance.

H G Gammell

H. G. GAMMELL,
President.

CANADIAN ARCTIC ISLANDS
Canada Northwest Land 90%
Canada Northwest Land 80%
Panarctic Land
Location or Drilling
Oil - Suspended Discovery
Gas Well
Abandoned Well
Sea Level
200 Metres
500 Metres
0
50
100
Scale in Miles
December 31, 1972
ARCTIC OCEAN
BORDEN
BROCK
MACKENZIE
KING
EMERALD
PRINCE PATRICK
MOULD BAY
EGLINTON
SABINE PEN.
MELVILLE
DUNDAS PEN.
M'CLURE STRAIT
BANKS
SACHS HARBOUR
VISCOUNT MELVILLE
VICTORIA
STORKERSON PEN.
112°
80°
78°
76°
74°
124°
72°
120°
116°
112°
108°

104°
100°
96°
92°
80°
EUREKA
FOSHEIM
PEN.
MEIGHEN
AXEL
HEIBERG
ELLEF
ISACHSEN
RINGNES
AMUND
RINGNES
HAIG
THOMAS
MALLOCH DOME
KING
CHRISTIAN
CORNWALL
GRAHAM
BJORNE PEN.
78°
LOUGHEED
ELLESMERE
N.
KENT
76°
GRINNEL PEN.
CAMERON
VANIER
BATHURST
DEVON
BYAM
MARTIN
CORNWALLIS
74°
RESOLUTE
Griffith
LOWTHER
RUSSELL
SOMERSET
PRINCE
OF WALES
84°
88°
92°
96°
104°
100°

EXPLORATORY ACREAGE

PETROLEUM & NATURAL GAS WORKING INTERESTS

	1972		1971	
Canada	Gross	Net	Gross	Net
Alberta:				
Freehold titles . . .	115,667	40,464	65,430	24,946
Leases, permits & licences	247,532	122,849	201,452	111,415
	363,199	163,313	266,882	136,361
Saskatchewan:				
Freehold titles . . .	202,922	202,922	202,308	202,308
Leases	17,730	12,953	9,400	5,675
	220,652	215,875	211,708	207,983
Manitoba:				
Freehold titles . . .	33,899	33,899	33,899	33,899
Leases	1,440	252	160	80
	35,339	34,151	34,059	33,979
Arctic Island permits .	1,386,549	739,813	1,358,829	855,496
East Coast offshore permits	352,763	176,382	352,763	176,381
	1,739,312	916,195	1,711,592	1,031,877
U.S.A.				
Montana:				
Leases	30,694	11,510	22,011	9,071
Foreign				
United Kingdom, North Sea	50,025	10,005		
Tunisia	3,526,172	35,262	3,526,172	35,262
	3,576,197	45,267	3,526,172	35,262
Total P.&N.G. Working Interests	5,965,393	1,386,311	5,772,424	1,454,533

PETROLEUM & NATURAL GAS CARRIED INTERESTS (GROSS ACRES)

Canada	1972	1971
Beaufort Sea	307,408	307,408
Ft. Norman and Beaver River, N.W.T. .	148,019	148,019
Flemish Cap	43,462	43,462
Alberta	11,232	
	510,121	498,889

MINERAL WORKING INTERESTS

	1972		1971	
	Gross	Net	Gross	Net
Alberta coal leases . . .	13,200	11,220	65,240	27,220

CANADA NORTHWEST LAND LIMITED

FINANCIALS

CANADA NORTHWEST LAND LIMITED CONSOLIDATED

ASSETS

	1972	1971
CURRENT:		
Cash	$ 190,863	$ 31,905
Marketable securities — at cost (market value: 1972 — $82,200; 1971 — $64,000)	59,823	52,754
Accounts receivable	296,774	155,178
Due from affiliates	209,720	130,312
Notes receivable		85,000
	757,180	455,149
INVESTMENTS — at cost:		
Panarctic Oils Ltd. (Note 1)	14,275,380	
Red Deer Minerals Ltd. (Note 8)	324,000	324,000
	14,599,380	324,000
PROPERTY AND EQUIPMENT (Notes 1 and 2):		
Oil and gas properties — at cost less accumulated depletion (1972 — $587,005; 1971 — $433,538)	4,126,499	3,763,903
Production and other equipment — at cost less accumulated depreciation (1972 — $127,609; 1971 — $108,444)	319,811	279,027
	4,446,310	4,042,930
OTHER:		
Refundable deposits	85,176	81,567
Financing costs less amortization	97,956	70,618
	183,132	152,185
	$19,986,002	$4,974,264

ALANCE SHEET DECEMBER 31, 1972 AND 1971

LIABILITIES

	1972	1971
CURRENT:		
Accounts payable	$ 178,311	$ 192,678
Notes payable		75,000
Current portion of long term debt (Note 3)	153,154	166,554
	331,465	434,232
LONG TERM DEBT (Note 3)	4,997,260	1,942,594
SHAREHOLDERS' EQUITY:		
Capital (Note 4)		
Authorized:		
3,000,000 2% non-cumulative redeemable preferred shares of a par value of $1		
6,000,000 common shares of no par value		
Issued:		
3,961,022 common shares (1971 — 1,736,830 shares)	13,838,000	1,748,050
Retained earnings	819,277	849,388
	14,657,277	2,597,438
	$19,986,002	$4,974,264

On behalf of the Board:

H G Gammell Director.

J. Pospente Director.

See accompanying notes.

CANADA NORTHWEST LAND LIMITED

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971
Revenue:		
Oil and gas sales and other operating revenues	$567,074	$431,998
Investment and sundry income	10,274	25,154
	577,348	457,152
Deduct:		
Operating expense	130,839	70,718
General and administrative expense	143,606	113,037
Interest	77,754	55,065
Mineral taxes	31,443	15,878
	383,642	254,698
Cash income from operations	193,706	202,454
Deduct:		
Depletion	147,122	107,436
Depreciation	18,916	14,313
Amortization of financing costs	20,279	8,907
Deferred interest on Series B Debentures (Note 3)	37,500	37,500
	223,817	168,156
Net income (loss) for the year (Note 5)	$ (30,111)	$ 34,298
Net income (loss) per share	(1¢)	2¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971
Balance at beginning of year	$849,388	$815,090
Net income (loss) for the year	(30,111)	34,298
Balance at end of year	$819,277	$849,388

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971
Source of funds:		
Cash income from operations	$ 193,706	$ 202,454
Issue of common shares	12,089,950	324,000
Notes payable	3,500,000	256,984
Bank loan	167,000	197,000
Non-interest bearing note		313,080
Sale of oil and gas properties	135,000	586,301
	16,085,656	1,879,819
Application of funds:		
Investment in shares of subsidiary companies	14,390,000	1,139,158
Less working capital at date of acquisition	105,079	158,618
	14,284,921	980,540
Repayment of non-interest bearing notes	304,834	
Conversion of Series A Debentures	345,000	
Investment in affiliated company		360,000
Expenditures on property and equipment —		
Drilling and exploration	382,264	363,795
Acquisition costs and rentals	252,913	289,836
Production and other equipment	59,700	34,720
Refundable deposits	3,609	21,974
Financing costs	47,617	
	15,680,858	2,050,865
Increase (decrease) in working capital	$ 404,798	$ (171,046)

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The excess of the unamortized cost of the shares of the subsidiaries purchased in prior years over the related net book values of the assets acquired is included in oil and gas properties.

As at November 9, 1972 the Company acquired all of the outstanding shares of Thor Exploration Company Ltd. for 1,800,000 common shares at a stated value of $10,890,000 and non-interest bearing demand notes in the amount of $3,500,000.

This acquisition has been accounted for as a purchase and accordingly the consolidated financial statements include the accounts of Thor Exploration Company Ltd. from the date of acquisition.

The consideration for the acquisition of Thor Exploration Company Ltd. has been reflected in the consolidated financial statements as follows:

Investment in shares of Panarctic Oils Ltd. —	
Cost to Thor Exploration Company Ltd.	$ 3,336,497
Adjustment to bring investment to fair value ...	10,938,883
	14,275,380
Working capital	105,079
Oil and gas properties	9,541
	$14,390,000

2. Accounting practices

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. Depreciation of production equipment is provided on the composite unit-of-production basis.

3. Long term debt

	1972	1971
Non-interest bearing demand notes issued in connection with the purchase of Thor Exploration Company Ltd. (Note 1)	$3,500,000	
7½% Convertible Debentures		
Series A	255,000	$ 600,000
Series B (including deferred interest of $107,030; 1971 — $69,530)	607,030	569,530
Bank loan repayable in monthly instalments of $10,000 ..	490,000	341,000
Non-interest bearing notes due $33,134 annually	298,384	598,618
	5,150,414	2,109,148
Less amount due within one year	153,154	166,554
	$4,997,260	$1,942,594

Although the non-interest bearing notes issued in connection with the acquisition of Thor Exploration Company Ltd. are payable on demand they have been excluded from current liabilities as it is the intention of the Company to repay these notes from the proceeds of additional long term borrowings in 1973.

The Debentures are due February 23, 1985 and are convertible into common shares of the Company at $4.11 per share to February 23, 1977 and $7.87 per share to February 23, 1982 and are redeemable at the option of the Company as follows: Series A at prices varying from 106.5 in 1973 to par in 1985 and Series B at 105.5 commencing in 1975 and thereafter at prices varying to par in 1985. The Debentures are secured by a first floating charge on all of the Company's undertaking, property and assets, both present and future, and the Trust Indenture con-

tains restrictions concerning, among other things, the incurring of additional debt and the payment of dividends and provides for annual sinking fund payments of $100,000 commencing in 1975. Under the terms of the Series B Debentures, the payment of interest thereon may be deferred until 1975.

The bank loans are secured by the assignment of production from certain oil and gas properties and bear interest at ¾% in excess of the prevailing prime bank interest rate which was 6% at December 31, 1972.

4. Share capital

During the year the Company issued 2,224,192 common shares for a total consideration of $12,089,950 as follows:

	Number of shares	Amount
On acquisition of the shares of Thor Exploration Company Ltd. (Note 1)	1,800,000	$10,890,000
For cash:		
Private placements	255,000	701,250
On exercise of stock options ...	74,000	153,700
On conversion of Series A Debentures	95,192	345,000
	2,224,192	$12,089,950

410,125 shares of the Company's common stock were reserved at December 31, 1972 as follows:

19,000 shares for options granted to officers of which options on 10,000 shares are exercisable at $2.20 per share to December 31, 1973 and options on 9,000 shares are exercisable at $1.55 per share to December 31, 1975;

12,000 shares for options granted to employees exercisable at $1.55 per share to December 31, 1975;

183,698 shares for the conversion of the 7½% Convertible Subordinated Debentures;

195,427 shares in connection with an offer made to the shareholders of Red Deer Minerals Ltd. (Note 8).

5. Income taxes

For income tax purposes, the Company claims drilling, exploration and lease acquisition costs in amounts which exceed the related charges to income. For 1972, capital cost allowances claimed are not significantly different from depreciation recorded in the accounts.

The Company believes that tax allocation accounting as recommended by the Canadian Institute of Chartered Accountants is not appropriate in the oil and gas industry and accordingly no provision has been made for deferred taxes on the above timing differences. If the tax allocation basis had been followed, deferred income taxes would have been provided in 1972 in the amount of $10,000 credit (1971 — $7,600 debit) and the net loss for the year would have been reduced accordingly.

The accumulated tax reductions relating to all timing differences in the current and prior years amounted to $71,400 at December 31, 1972 (1971 — $81,400), and at that date, accumulated expenditures of $5,426,000 remain to be carried forward and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs	$5,271,000
Undepreciated capital cost allowance	$ 155,000

6. Remuneration of directors and officers

During the year ended December 31, 1972 the aggregate remuneration of the eight directors in their capacity as directors was $4,400 and the remuneration of the five officers in their capacity as officers was $70,000. Four of the officers are directors.

7. Commitments

The major asset of the Company's newly acquired subsidiary Thor Exploration Company Ltd. (Note 1) consists of a 4.51745% interest in Panarctic Oils Ltd., a corporation organized by private industry and the Canadian Government to explore for oil and gas in the Arctic Islands. Under the terms of an agreement with Panarctic Oils Ltd., the subsidiary company is committed to contribute $1,130,000 towards the exploration program of Panarctic Oils Ltd. This amount, or any portion thereof may be called at any time up to June 30, 1974.

The Company has issued non-interest bearing demand notes and letters of credit to the Government of Canada and others as security for the performance of work obligations by the Company in respect of normal exploration activity. At December 31, 1972, the aggregate of such obligations amounted to approximately $300,000.

8. Red Deer Minerals Ltd.

The Company presently owns a 35% interest in the common shares of Red Deer Minerals Ltd., a public company engaged in oil and gas and mineral exploration and development in Western Canada, and has made an offer to acquire the remaining outstanding shares. The offer is contingent upon the Company acquiring 100% of the outstanding shares, and if successful will require the issuance of 195,427 common shares of the Company's capital stock.

AUDITORS' REPORT

To the Shareholders of
Canada Northwest Land Limited.

We have examined the consolidated balance sheet of Canada Northwest Land Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 7, 1973.

Clarkson, Gordon & Co.
Chartered Accountants.

SMITH GRANT MANN ALBERTA
Litho'd in Canada

CNW

CANADA NORTHWEST LAND LIMITED
920, Three Calgary Place,
355 - 4th Avenue S.W. Calgary 1, Alberta.

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Toronto, Ontario.

INTERIM REPORT

CANADA NORTHWEST LAND LIMITED

Six Months Ending
June 30, 1972

CNW

TO THE SHAREHOLDERS:

In the first six months of 1972 as compared with the same period of 1971, the company's gross revenue grew by 34%, cash flow by 15% and the net loss declined by 80%. Higher royalties (up 4% to $96,000) and production income (up 107% to $148,000) accounted for the gains. For the first time production income exceeded revenue from royalties. Cash charges rose by 44% due to higher work-over costs, an increase in Saskatchewan mineral taxes and higher interest costs while administrative costs remained at about the same level as last year. Cash flow rose by 15% and non-cash charges declined by 21% (due to lower depletion charges) which combined to reduce the net loss from $40,000 to $8,000 in the most recent period.

In June 255,000 treasury shares were sold at $2.75 a share to four institutions with the assistance of Richardson Securities of Canada. A portion of the $700,000 so realized was used to retire bank debt, leaving a working capital of $342,000 at the end of June compared with a deficit of $31,000 at the end of last year.

During the first half, gas wells were drilled by the company and partners at Lait in Section 31-1-9 W4, at Tweedie in Section 15-69-13 W4 all in Alberta and an oil well at Lucky Hills in Section 23-30-23 W3 in Saskatchewan. A dual zone gas well was drilled by farmees in Section 33-60-26 W4 in the Westlock area of Alberta. Additional drilling will take place in all four areas in the second half.

A multi-well program in Northern Montana near the Sweetgrass Hills was started in May. One hole has been drilled and abandoned and others will be drilled in the second half.

A major company has agreed to take a farmout of 25% of the company's Lougheed Island offshore permits in the Arctic Islands of Canada in return for $600,000 worth of work spread over the next eight years. Another company has agreed to purchase a 37½% interest in these same permits for cash. The total acreage in the group of permits is 232,000 acres. This deal reflects intensifying interest in the Arctic as a result of both gas and oil discovery and plans for pipelines.

The company and partners have completed a marine geophysical survey over its Block 3/7 in the U.K. sector of the North Sea. Continued discovery news from near-by drilling emphasize the potential of this part of the basin. The Shell-Esso group are rumored to have made an oil discovery 15 miles northwest and to have drilled a successful follow-up well to their rumoured Brent oil discovery 20 miles northeast. Meanwhile, the giant Frigg gas field in Norwegian waters 55 miles southeast of Block 3/7 is rumoured to have been extended into U.K. waters by the Total group and the Pan Ocean group are rumoured to have made a discovery 20 miles further south.

July 31, 1972

H. G. GAMMELL,
President.

CANADA NORTHWEST LAND LIMITED
Consolidated Statement of Income
(Unaudited)

	Six Months Ended June 30, 1972	Six Months Ended June 30, 1971
Revenue:		
Oil and gas sales and other operating revenue	$ 250,227	$ 167,956
Investments	2,097	3,061
Other	—	17,724
	$ 252,324	$ 188,741
Deduct:		
Operating expenses	$ 58,837	$ 29,873
General and administrative expenses (net of management fees)	60,577	57,285
Mineral taxes	14,967	8,209
Interest	41,888	27,225
	$ 176,269	$ 122,592
Cash Income from operations:	$ 76,055	$ 66,149
Deduct:		
Depletion, depreciation and amortization of financing charges	65,453	87,118
Deferred interest	18,750	18,750
	$ 84,203	$ 105,868
Net Loss for the Six Months	$ 8,148	$ 39,719

CANADA NORTHWEST LAND LIMITED
Consolidated Statement of Source and Application of Funds

For The Six Months Ended June 30, 1972
(Unaudited)

Source of Funds:	
Cash income from operations	$ 76,055
Issue of common shares	847,945
Note payable	46,000
Bank Loan	510,000
Sale of properties:	
Oil and Gas	78,183
Mineral	4,325
	$ 1,562,508
Application of Funds:	
Investment in subsidiary	$ 12,867
Non-interest bearing note	313,080
Demand Loan (Royal Bank)	200,000
Reduction of long-term debt:	
Debentures	125,000
Bank Loans	83,000
Financing charges	37,687
Refundable deposits	35,920
Expenditures on oil and gas properties:	
Drilling and exploration	139,515
Acquisition costs and rentals	173,170
Expenditures on production and other equipment	68,483
	$ 1,188,722
Increase in working capital	$ 373,786
Working capital deficit, December 31, 1971	(31,500)
Working capital, June 30, 1972	$ 342,286

Canada Northwest Land Limited

NOTICE OF SPECIAL GENERAL AND ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Special General Meeting and Annual General Meeting of the Shareholders of Canada Northwest Land Limited (hereinafter called "the Company") will be held in the Jasper Room of the Calgary Inn, 4th Avenue & 3rd Street S.W., in the City of Calgary, Alberta, Canada, on the 10th day of April, 1972, at the hour of 2:00 p.m. Mountain Standard Time, for the following purposes:

1. Considering, and if thought fit, sanctioning and confirming (with or without amendment) By-Law No. 30 of the Company enacted by the Directors on 18 February 1972 and subsequently amended as follows: "Be it enacted and it is hereby enacted as By-Law No. 30 of the Company that the provisions of article 3 of By-Law No. 26 be and the same are hereby amended to provide that the number of Directors of the Company shall be EIGHT (8), all other provisions of the said article of the said By-Law No. 26 remaining in force."
2. Receiving and considering the Report of the Directors and receiving and approving the consolidated Financial Statements of the Company and its subsidiaries for the fiscal year ended December 31, 1971 and the auditors report thereon.
3. Electing Directors for the ensuing year.
4. Appointing auditors for the ensuing year and authorizing the Directors to fix the remuneration to be paid the auditors.
5. Transacting such other business as may properly be brought before the meeting.

The Board of Directors has fixed close of business in Calgary, Alberta, on April 7, 1972 as the record date for the determination of registered shareholders entitled to attend and to vote at the Special General and Annual General Meeting and any adjournment thereof, and only shareholders of record on that date shall be entitled to attend such meeting and to vote thereat.

A copy of the Information Circular of the Company with respect to the aforesaid meeting accompanies this Notice. A copy of the Report of Directors and consolidated Financial Statements referred to herein is enclosed.

Shareholders who are unable to attend the meeting in person are requested to complete and return the enclosed form of Proxy.

DATED at Calgary, Alberta this 7th day of March, 1972.

BY ORDER OF THE BOARD OF DIRECTORS
LORD SHAUGHNESSY, Secretary.

Information Circular

SPECIAL GENERAL AND ANNUAL GENERAL MEETING OF SHAREHOLDERS, APRIL 10, 1972

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Canada Northwest Land Limited (the "Company") for use at the Special General and Annual General Meeting of the Shareholders of the Company to be held on the 10th day of April, 1972 at the hour of 2:00 o'clock in the afternoon (Mountain Standard Time), and at any adjournments thereof for the purposes set out in the accompanying Notice of Meeting.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by regular employees of the Company. The cost of any such solicitation will be borne by the Company.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy by either executing a proxy bearing a later date or by executing a valid notice of revocation and delivering same to the Secretary of the Company. In addition, a proxy may be revoked by the Shareholder personally attending at the meeting and voting his shares.

DESIGNATION OF PERSONS OTHER THAN THOSE SET FORTH IN THE INSTRUMENT OF PROXY

A SHAREHOLDER HAS THE RIGHT TO DESIGNATE A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY) OTHER THAN MESSRS. GAMMELL AND LORD SHAUGHNESSY, THE MANAGEMENT DESIGNEES, TO ATTEND AND ACT FOR HIM AT THE MEETING. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees or by completing another instrument of proxy and, in either case, delivering the resulting instrument of proxy to the Secretary of the meeting prior to any matter upon which a vote has not already been cast pursuant to the authority conferred by the instrument of proxy.

VOTING OF PROXIES

All shares represented at the meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the shares represented by the proxy will be voted in accordance with such specification. IN THE ABSENCE OF ANY SUCH SPECIFICATIONS, THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, WILL VOTE IN FAVOUR OF ALL THE MATTERS SET OUT THEREON. THE ENCLOSED INSTRUMENT OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE MANAGEMENT DESIGNEES, OR OTHER PERSONS NAMED AS PROXY, WITH RESPECT TO AMENDMENTS TO OR VARIATIONS OF MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE DATE OF THIS INFORMATION CIRCULAR THE COMPANY IS NOT AWARE OF ANY AMENDMENTS TO, VARIATIONS OF OR OTHER MATTERS WHICH MAY COME BEFORE THE MEETING.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of common shares of record at the time of the meeting are entitled to vote such shares at the meeting on the basis of one vote for each share held. As of the date hereof, 1,750,830 of the Company's common shares are issued and outstanding out of an authorized capital of 6,000,000 common shares. The Company is also authorized to issue 3,000,000 preferred shares of a par value of $1.00 each, none of which are issued and outstanding.

To the knowledge of the Directors and senior Officers of the Company, no person or corporation owns beneficially, directly or indirectly, equity shares carrying more than Ten Percent (10%) of the voting rights of the outstanding equity shares of the Company.

The Directors have fixed April 7, 1972 as the record date for determining the shareholders of the Company entitled to receive notice of the meeting.

PARTICULAR OF MATTERS TO BE ACTED UPON

To the knowledge of the Company's Directors the only matters to be laid before the meeting are those matters set forth in the accompanying Notice of Meeting relating to: the confirmation of By-Law No. 30 with or without amendment; the approval of the Annual Report and the Financial Statements; and the election of Directors and the appoointment of Auditors. It is the intention of the management designees, if named as proxy, to vote for the approval of all of the foregoing.

ELECTION OF DIRECTORS

By-Law No. 29 of the Company authorizes the election of 11 Directors all of whom are elected annually. After the confirmation of By-Law No. 30 the Board will be fixed at 8 Directors elected annually as indicated. The qualification of a Director is his holding in his own right 100 shares of the capital stock of the Company. It is proposed that the undermentioned persons, all of whom are presently Directors of the Company, will be nominated at the meeting. IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE BOARD OF DIRECTORS. The management does not contemplate that any of such nominees will be unable to serve as Directors. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion. The undermentioned information relating to the nominees as Directors is based partly on the Company's records and partly on information received by the Company from said nominees and same sets forth: the name of each of the persons proposed to be nominated for election as a Director; his principal occupation at present and for the preceding five years; all positions and offices in the Company held by him; the year in which he was first elected Director; and the approximate number of shares in the Company that he has advised are beneficially owned by him, directly or indirectly.

Name	Position with the Company and other principal occupation	Year first Elected	Shares beneficially owned as of February 25, 1972	Convertible bonds beneficially owned as of February 25, 1972
H. G. Gammell	President of the Company; formerly Executive with Canadian Pacific Investments Ltd.	1962	34,700	$56,000
Rt. Hon. Lord Shaughnessy	Vice-President and Secretary of the Company; President W. S. Hodge Paper Company Limited	1957	6,300	
J. Poscente	Vice-President of the Company; President Red Deer Minerals Ltd; formerly landman Great Plains Development Co. Ltd.	1971	16,800	
D. W. Hilland	Assistant Secretary of the Company; Partner, McLaws & Co., Barristers & Solicitors	1970	40,394	
M. S. Reford	Vice-President, Geoterrex Ltd.	1964	66,520	54,000
N. E. Goodman	Partner, Beutel, Goodman & Company, Investment Counsel	1969	22,500	
J. S. Lawson	Independent Oil Operator; formerly President Wilson Oilfield Supply Ltd.	1970	29,136	
M. M. Sinclair	Executive; Guardian Management Ltd.; formerly Executive Cochran Murray Limited	1969	49,100	

REMUNERATION OF MANAGEMENT AND MANAGEMENT CONTRACTS

The direct aggregate remuneration paid or payable by the Company and its subsidiaries during the Company's last completed financial year ended December 31, 1971, to the Directors in their capacity as Directors, officers and employees, was $54,000.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The President has been granted an option to purchase up to 70,000 common shares of the Company at the price of $2.20, exercisable by December 31, 1973, of which 60,000 shares were exercised up to February 25, 1972 but not issued. Other Officers and employees hold options to purchase up to 35,000 common shares of the Company at $1.55, exercisable on an annual basis by December 31, 1975, of which 14,000 shares were exercised up to February 25, 1972.

APPOINTMENT OF AUDITORS

At the meeting, action will be taken to vote for the re-appointment of Clarkson, Gordon & Co. as auditors of the Company at a remuneration to be fixed by the Board of Directors. Clarkson, Gordon & Co. have been auditors for the last five years.

OTHER MATTERS

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. The management knows of no such amendment, variation or other matter which may properly be presented at the annual meeting, but if other matters do properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy according to their best judgment.

DATED at Calgary, Alberta this 7th day of March, 1972.

BY ORDER OF THE BOARD

LORD SHAUGHNESSY
SECRETARY.